

**TESTIMONY OF KATHY WALGREN
ON BEHALF OF THE COALITION TO KEEP MICHIGAN WARM
BEFORE THE HOUSE ENERGY & TECHNOLOGY COMMITTEE
FEBRUARY 23, 2005**

Thank you Chairman Nofs and members of the House Energy and Technology Committee, for the opportunity to testify before you today. My name is Kathy Walgren and I am executive director of The Heat and Warmth (THAW) fund. THAW is a non-profit 501 © (3) corporation founded in December 1985 to help low income households who are unable to pay their energy bills. These households either are in danger of imminent shut-off or their service has already been discontinued.

I am also the chair of the Coalition to Keep Michigan Warm which is an informal network of concerned citizens, non-profit groups, human service agencies, energy providers, trade associations and government agencies including Michigan Family Independence Agency and the Michigan Public Service Commission.

The Mission and purpose of the Coalition is to increase the financial and human resources available to address the energy needs of low-income households in Michigan through the gathering and provision of information, policy analysis and advocacy.

Today is the Coalition's legislative day and I wanted to take this opportunity on behalf of the Coalition to address some of the concerns that have been expressed at our meetings.

The fact is that Michigan citizens are faced with a crushing financial burden due to the current economic conditions and the high price of natural gas. The number of people facing unaffordable energy costs has reached crisis proportions and no part of Michigan is unaffected.

Michigan is tied with Alaska with the largest unemployment rate in the nation (7.3%). Coalition member agencies have received numerous requests for assistance from people who have never needed help before. We also see Michigan residents who are forced to make difficult and dangerous choices. A survey of past THAW recipients revealed that without assistance 68 percent would have gone without food; 45 percent without health care or medicine, and 80 percent would not have paid other bills such as rent. Had their utilities been shut off, the majority said they would have used candles or space heaters, increasing the risk of injury or death from fires or fumes.

THAW has commissioned a study by Roger Colton, an economist and recognized expert on low-income issues, that looks at the energy burdens of Michigan's low-income households and the significant gap that exists between what is affordable and current energy prices. I have brought you and all Michigan legislators a copy today with those burdens and that gap detailed for citizens in your districts.

The study found that more than 180,000 Michigan households with incomes 50% below the Federal Poverty Level pay 38% of their income to keep heat and lights on in their homes. This is nearly seven times higher than what is considered affordable by housing professionals.

One disturbing finding is that customers living at 150% to 185% of the Federal Poverty level – many of whom are seniors or low-wage workers, are beginning to experience payment difficulties because their energy services are no longer affordable. These customers, struggling to make ends meet, do not qualify for any state or federal programs.

For example MichCon's average low income customer will have an annual heating bill of about \$1,330 for the year. That compares to \$1,100 in 2004 and \$650 in 1998. It represents a 21% increase from last year alone and it is more than double what was paid in 1998

According to the report, the total statewide Home Energy Affordability Gap in Michigan has increased 32 percent from \$453 million in 2002 to \$598 million in 2004. Since 2001, the gap has increased more than 75 percent, primarily as a result of increasing natural gas prices.

No single public or private entity, state and federal government included, has the resources to meet our State's ever growing need for energy assistance. The primary funding for low-income energy assistance comes from the federal funded Low Income Home Energy Assistance Program (LIHEAP) which funds Michigan's Home Heating Credit and State Emergency Relief programs; and the Low Income Energy Efficiency (LIEE) Fund administered by the MPSC, solely funded by Detroit Edison customers.

The combined funding for the state's energy assistance that helps close the gap somewhat, was \$144 million in 2004, down from \$178 million in 2003. Even at the 2003 funding levels, it is inadequate to meet the need for energy assistance in Michigan.

Over 25% of the state's residents are within the Federal Poverty Guidelines for the LIHEAP program. The current LIHEAP allocation is clearly inadequate to meet the need. During the period in which the affordability gap increased by 32 percent, Michigan's LIHEAP allotment increased only 5 percent, from \$92.1 million to \$97 million. The proposed federal budget for 2006 would cut the LIHEAP funding back to 2004 levels.

While the state, in working with low income groups and energy providers, has been creative in devising programs and methodologies to use these limited resources as carefully and wisely as possible by instituting such program as Energy Direct, there simply is not enough money to meet the need.

The great increase in natural gas prices and high unemployment has dramatically increased the urgency of the issue of low-income energy affordability in Michigan. In

response to these concerns last year the Coalition in conjunction with the governor's office, the Family Independence Agency, the Michigan Public Service Commission, low income advocates and the utilities came together to analyze and made recommendations to help address the energy crisis being faced by Michigan low income citizens.

After meeting for several months, the work group has concluded that the keys to success in curbing problems faced by low income energy users must include:

1. strong policy support;
2. increased levels and sources of funding; and
3. the use of a full system approach in confronting this problem.

Every year on the Coalition's legislative day, we hand deliver to the Michigan Legislature and the Administration our "Michigan Energy Assistance Directory". The Directory provides information about energy assistance and weatherization programs that are available for Michigan citizens who qualify for assistance. In this year's Directory we have included for your review and consideration the Coalition's work group recommendations. I have also included a copy with these comments.

The Coalition has come up with ideas that we urge policy makers to embrace and implement. This includes exploring the need for a universal service / public benefits fund that would provide a state assistance mechanism to assist low-income users along with devising ways that we will help customers to have manageable energy bills through such things as energy efficiency and weatherization.

We urge members of the Michigan Legislature to work with the Granholm Administration and the Michigan Public Service Commission to find both short and long-term solutions that will help address this very serious problem.

Last session Sen. Jud Gilbert introduced legislation, SB 1333, that would have provided a revenue source for a universal service / public benefits fund. The bill would have created an opportunity for the commission to approve a low income and energy efficiency surcharge to assist low income and senior citizen customers in paying for electricity and natural gas service. The bill would have required customers for all natural gas & electric utilities, not just Detroit Edison customers, to participate in the fund.

According to estimates provided by the Senate Fiscal Agency, if all regulated natural gas & electric customers participated in the fund it would generate about \$140 million annually. That would go a long ways to close the affordability gap and help Michigan families in need maintain essential energy services. THAW urges the Michigan Legislature to re-introduce and adopt legislation similar to SB 1333 that would expand the total funding in the state.

Thank you for your time, consideration and the opportunity to allow us to come before the committee and speak to these important low-income energy issues.

The Coalition to Keep Michigan Warm Work Group's Recommendations Solutions for Keeping Michigan Residents Warm

The great increase in market energy prices and high unemployment which has occurred over the past two years has dramatically increased the urgency of the issue of low-income energy affordability in Michigan. Last year the governor's office in conjunction with the Family Independence Agency, the Michigan Public Service Commissions, low income advocates, and utilities partnered together to analyze and make recommendations to solve the energy crisis being faced by Michigan low income citizen's. After having met for several months, workgroup has concluded that the keys to success in curbing problems faced by low income energy users must include: strong policy support; increased levels and sources of funding; and the use of a full system approach in confronting this problem. This full system approach should encompass components that do the following:

- 1. Provide efficient, effective, and equitable direct assistance to users in need who might otherwise face the consequences of shut-offs during the heating season or unmanageable utility bills that could lead to shut-offs throughout the year.*
- 2. Provide effective, targeted weatherization and energy efficiency programs to help permanently reduce the energy bills faced by low-income customers.*
- 3. Ensure effective administration of all programs as well as new methods to capture additional funding for all programs.*

Direct Assistance

Direct assistance typically refers to cash payments or direct payments either to the individual or the energy provider in order to pay down the owed bill or prevent shut-off.

ACTION ITEMS

- On all new programs (whether from a state agency or non-government entity) ensure that there is a system for evaluation and program statistics. The information gathered should be able to detail whether or not an individual is being assisted on a one- time basis or whether the assistance is creating long term dependency. Additionally, any other available information that might provide correlations to other assistance programs would be useful.
- Direct assistance programs should become more efficient and automated. Disbursement of funds should not take an extended amount of time and systems should be streamlined so that more individuals have easier access to funds.
- Assistance should be distributed equitably across the state to every low- income energy user regardless of energy provider.
- Early customer outreach, identification, and access needs to be improved.
- With the availability of funding, the direct assistance programs criteria should be modified to ensure that needy customers are served.
- In the near future, a review of the Home Heating Credit as an effective use of LIHEAP dollars should be explored. Encourage the use of the HHC primarily based on utility usage instead of family size. However, the benefits of the HHC must continue to be recognized as a way of support for seniors and other individuals who do not want to go to a state agency or other organization to find heating assistance.

Energy Efficiency and Weatherization

Energy efficiency and weatherization have the effect of helping reduce energy bills. It is important that low-income individuals have such resources available to them so that they can have manageable energy bills, which will aid in decreasing the need for direct cash assistance.

ACTION ITEMS

- All new programs (whether from a state agency or non-government entity) should ensure that there is a system for evaluation and program statistics. The information gathered should complement information that is gathered on all new Direct Assistance programs.
- All affordability housing organizations, like Habitat for Humanity and the Michigan State Housing Development Authority should develop and refurbish housing that has high- energy efficiency standards. All housing especially that for low- income, should ensure that the home is equipped with energy efficient appliances and fixtures that reduce energy usage year-round.
- Education is the cornerstone for "spreading the word" about how one can weatherize and make their home more energy efficient. FIA and other state and non-government agencies that work with

low- income households should share information on energy efficiency. Programs like the Energy Hog should be communicated through advocacy campaigns.

- Energy efficiency and weatherization programs should be targeted to the highest need and coordinated with other programs, especially direct assistance programs. If an individual is receiving direct assistance, they should also be given priority to educational information, weatherization and energy efficiency programs.
- Better Housing is a key component to ensuring that there is an end to high energy bills, which cannot be assisted by weatherization and energy efficiency tools. Some homes and apartments are limited as to how they can be made more efficient. A group should explore the use of local ordinances and state rules to upgrade standards for housing.
- Relocation needs to be supported for those that are in need. FIA and other assistance programs should amend their programs so that support can be given to individuals who need help in relocating.

Administration and Funding

All programs should be run in the most effective manner, minimizing administrative hurdles and allowing for more funds to be spent directly on programs. Outreach should be done in order to locate more sources of funding for all programs. Current sources of funding include: LIHEAP, LIEE, DOE Weatherization, State general fund dollars, and community non-profit sources.

ACTION ITEMS

- A workgroup leveraging different interests should explore the need for a universal service/public benefits option that would provide an assistance mechanism to assist all low- income users throughout the state regardless of energy provider. Such a funding option should provide for direct assistance and energy efficiency/weatherization program assistance.
- The State (MSHDA and/or FIA) should work with the federal HUD to capture all available utility allowance dollars.
- The state and the legislature should determine the current usage of unclaimed utility deposits and unclaimed utility shareholder dividends as a possible source for creating a new low- income energy fund source.
- The MPSC should consider including an option in power supply cost recovery orders to allow a mechanism for customers to choose whether they want the refund or to donate the refund to a special fund for low income energy usage.
- New funds can be found by leveraging existing funds. FIA can improve communication with other agencies and energy providers in order to accurately quantify what can be used to leverage additional federal dollars for the state. For example, it might be possible to count waived utility shut-off fees and other little know items in order to get more leveraged LIHEAP dollars to the state. FIA and other agencies should look at the practices of other states that are able to leverage more dollars than Michigan.
- Private dollars should be viewed as an additional source for more funding. Foundation dollars and company donations should be looked at as possible ways to supplement our current funding stream. Gaining more dollars will also provide another way to leverage additional federal funds.
- Funding for long- term stability should be considered as a key goal. A group of various interests should gather to search for public and private funding partnerships that could create an endowment for low- income energy needs.
- All programs should be administered in a manner that allows it to be more efficient for the customer and also for the administering agency.
- Direct assistance and weatherization/energy efficiency programs need to be coordinated. This coordination of benefits should be expanded to include all types of programs, not just programs that provide for low- income energy relief. For example, non-energy related programs within FIA and DCH should allow for dual qualification for energy related assistance programs.
- The State and non-government assistance agencies should explore Minnesota's web-based one stop shopping system where a customer can apply once, anywhere, for all types of assistance programs.
- A continual review of all programs should be conducted on a bi-annual basis to evaluate the state's low income needs as they are being met through the various available channels.